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C O N F I D E N T I A L STATE 177526

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E.O. 11652: GDS

TAGS: PGOV, EGEN, JA, US

SUBJECT: WEEKLY STATUS REPORT - JAPAN JULY 28, 1977

TO: EA - MR. HOLBROOKE

FROM: EA/J - NICHOLAS PLATT

1. GILMORE STEEL ANTI-DUMPING CASE (LIMITED OFFICIAL USE)

REPRESENTATIVES AND ATTORNEYS FOR GILMORE STEEL VISITED THE DEPARTMENT IN A ROUND OF WASHINGTON VISITS TO BRIEF ON THE STATUS OF THEIR ANTI-DUMPING CASE. THEY WERE CONFIDENT THAT THEY HAD A GOOD CASE--THEY HAVE WON THREE OF THREE ANTI-DUMPING CASES, BUT NONPLUSSED OVER THE "NOTORIETY" OF THE CASE. THE FIRM CLAIMS THAT JAPANESE DUMPING REDUCED
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ITS OPERATIONS FROM 100 PERCENT OF CAPACITY IN 1974 TO 43 PERCENT DURING 1976, WITH ABOUT 70 PERCENT OF ITS PRODUCTION EMPLOYEES LAID OFF, AND CAUSED THE FIRM TO LOSE 42 MILLION DOLLARS IN SALES AS WELL AS SUSTAIN AN OPERATING LOSS OF SEVERAL MILLION DOLLARS. THEY NOTE THAT THEIR EQUIPMENT IS NOT ANTIQUATED, BUT INCLUDES A 65 MILLION DOLLAR DIRECT REDUCTION PLATE MILL COMPLEX OF THE LATEST

DESIGN. THE ATTENTION THE CASE IS GENERATING DERIVES FROM ITS RELIANCE ON "CONSTRUCTIVE VALUE" IN COMPUTING DUMPING

MARGINS. THESE MARGINS, WHICH COULD AMOUNT TO 80 DOLLARS PER TON, ARE TO BE COMPUTED BY COMPARING JAPANESE EXPORT PRICES TO THE NORTHWEST WITH ESTIMATED JAPANESE PRODUCTION COSTS PLUS A FACTOR FOR GENERAL EXPENSES AND PROFIT AMOUNTING TO AT LEAST 18 PERCENT OF THE COSTS. WITH US STEEL ALSO REPORTEDLY PLANNING TO BRING AN ANTI-DUMPING CASE AGAINST JAPANESE STEEL FIRMS, INTEREST IN THE OUTCOME OF THIS CASE IS HIGH.

2. CIVIL AVIATION (CONFIDENTIAL)

AS AN INDUCEMENT FOR THE JAPANESE TO REACH AN AGREEMENT TO PENDING IMMEDIATE ISSUES BEFORE WE ENTERED INTO FULLSCALE REVISION TALKS, WE PROPOSED THAT FUTURE NEGOTIATIONS BE "ELEVATED". THIS MEANS THAT SOMEONE OUTSIDE THE DEPARTMENT WILL LIKELY HEAD THE NEGOTIATIONS SCHEDULED FOR OCTOBER 3-14 AND NOVEMBER 14-25. THIS PROVED UNSATISFACTORY IN THE UK-US CIVIL AIR NEGOTIATIONS, AND THE DEPARTMENT WANTS TO MAINTAIN TIGHT CONTROL IF SOMEONE IS BROUGHT IN. TRANSPORTATION IS EAGER TO ENCROACH, AND HAS AS ONE OF ITS CANDIDATES, SECOR BROWNE WHO SAW COOPER THIS WEEK. US AIRLINES ALLEGED THAT BROWNE HAS BEEN A CONSULTANT TO JAL; HOWEVER, BROWNE HAS SIGNED A STATEMENT THAT HE HAS NO CONFIDENTIAL

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FLICT OF INTEREST.

3. PROPOSED VISIT OF MINISTER OF LABOR (CONFIDENTIAL)

MINISTER OF LABOR ISHIDA HAS SUGGESTED THAT HE WOULD BE RECEPTIVE TO AN INVITATION FROM SECRETARY MARSHALL TO VISIT HERE FOR A WEEK IN AUGUST. LABOR WOULD PREFER TO HAVE THE VISIT IN SEPTEMBER TO AVOID DISCUSSIONS CENTERING ON THE POSSIBLE US WITHDRAWAL FROM ILO. THE EMBASSY SUPPORTS ISHIDA'S VISIT STRONGLY, BUT FEELS THAT SEPTEMBER WOULD BE DIFFICULT FOR ISHIDA BECAUSE OF DIET PROCEEDINGS; WE HAVE PASSED THIS CONCERN TO LABOR.

4. EXTRADITION TREATY NEGOTIATIONS PROGRESS (LIMITED OFFICIAL USE)

SECOND ROUND OF US-JAPAN NEGOTIATIONS FOR A NEW EXTRADITION TREATY TO REPLACE STILL OPERATIVE 1886 DOCUMENT HAVE PROGRESSED SMOOTHLY AND PRODUCED A TENTATIVE DRAFT TREATY LAST WEEK. BOTH SIDES ARE NOW STUDYING THIS WITH A VIEW TO SIGNING A NEW TREATY BY LATE FALL, IF POSSIBLE. REVISION TALKS WERE UNDERTAKEN BECAUSE 1886 INSTRUMENT (JAPAN'S

ONLY EXTRADITION TREATY) DOES NOT COVER CRIMES SUCH AS BRIBERY, NARCOTICS OFFENSES, HIJACKING, ETC. ADDITIONALLY, THE GOJ WANTS THE NEW TREATY WITH THE US TO SERVE AS MODEL FOR SIMILAR ARRANGEMENTS WITH OTHER COUNTRIES.

ONE JAPANESE SOURCE EXPLAINED THAT PROGRESS WAS HASTENED BY FACT THAT MANY MOFA EXPERTS WORKING ON TREATY CAME DUE FOR TRANSFER THIS SUMMER, MAKING PROSPECTS DIM FOR TIMELY SUCCESS OF SUCH NEGOTIATIONS NEXT YEAR.

5. SECRETARY'S TRIP PREPARATIONS (LIMITED OFFICIAL USE)

EA/J HAS BEEN IN HIGH GEAR THIS WEEK PREPARING FOR THE SECRETARY'S TOKYO STOPOVER AUGUST 26-28 ON HIS RETURN FROM CONFIDENTIAL

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PEKING. OUR ROUGH SCHEDULE HAS HIM ADDRESSING THE NATIONAL PRESS CLUB (A RECOMMENDATION HE HAS NOT YET APPROVED) AS WELL AS MEETING THE PRIME MINISTER AND FONMIN. THANKS TO AN EXCELLENT INPUT BY THE EMBASSY, OUR BRIEFING PAPERS ARE SHAPING UP NICELY.

6. OFFICE NEWS (UNCLASSIFIED)

DICK KILPATRICK, EA/J'S NEW DEPUTY, ARRIVED ON JULY 25 AND IS ALREADY STRAINING IN HARNESS. VANCE

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